

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of

**The Market Conduct Examination
of Providence Health Care.**

)
) No. G 98 - 6
)
) FINDINGS, CONCLUSIONS, AND
) ORDER ADOPTING REPORT
)

BACKGROUND

An examination of the market conduct of Providence Health Care (the Company or PHC) as of November 30, 1995, was conducted by market conduct examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company is a health care service contractor registered under RCW 48.44.015. This examination was conducted in compliance with the laws and regulations of the State of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the Office of the Insurance Commissioner.

The examination report with the findings and recommendations was transmitted to the Company for its comments on January 10, 1997. Written responses to the draft report were received on February 17, 1997. An informal meeting with the Company was held on February 26, 1997. An additional written response from the Company was received April 25, 1997. The Company did not request a hearing.

The Commissioner or a designee has considered the report, the relevant portions of the examiner work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

The Commissioner adopts as findings the findings of the examiners as contained on pages 4-15 of the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct of the Company.

ORDER

The examination report as filed, attached hereto and incorporated by reference, is hereby ADOPTED as the final examination report.

It is ORDERED that the Company comply with the Instructions in the Report, as follows (page numbers refer to the Report):

Advertising

1. WAC 284-50-200 requires that every insurer maintain a complete file of all advertising material. The advertising file reviewed as part of this examination did not contain all forms of advertising material. Providence Health Care is instructed to comply with WAC 284-50-200. (Page 6)
2. WAC 284-50-110 requires that the source of any statistics used in advertising be included in the material. PHC is instructed to comply with this requirement in all future advertising, or reprinting of current advertising. (Page 6)
3. PHC is instructed to comply with WAC 284-50-150(1) requiring the full name of the Company to be listed on all advertising material. While the name of the parent company may be shown, the premium focus must be on the full name of the authorized carrier for the product being advertised. (Page 6)

Consumer Complaints

4. WAC 284-30-650 requires that a company must respond to all correspondence from the OIC within 15 business days. The Company is instructed to change procedures to ensure that they are in compliance with this section of the code. (Page 8)

Agent Appointments

5. RCW 48.44.011 requires that any individual or agency who solicits business on behalf of a company must be licensed with the State of Washington and appointed with the health care service contractor prior to

soliciting business. The Company is instructed to appoint agents and employed marketing representatives prior to allowing them to solicit business. (Page 7)

Consumer Contracts

Underwriting & Rates

6. RCW 48.44.040, WAC 284-44-130 requires Health Care Service Contractors to file all contracts and rates with the OIC prior to use. It further requires that any changes or modifications to the contract or rates be filed with the Commissioner prior to use. Three amendments were found not to have been filed with the OIC. In addition, the Company created a new rating model for use by underwriters in quoting rates. The rates were used for a period of 5 months, and were never filed with the OIC. There were 36 groups quoted for PHC and Good Health Plan benefit plans using the unfiled model, two of which were sold. There were also 41 groups renewed in both companies using the unfiled rating model.

Providence Health Care is instructed to file all contracts, endorsements, riders, and rates with the Office of the Insurance Commissioner prior to offering them to the public. (Pages 10 & 12)

Claims Administration

7. WAC 284-51-090 states that the Company must use all means available to them to obtain primary carrier information when they receive information that indicates coordination of benefits is involved in a claim. WAC 284-51-100 requires that a claim be paid as if the Company was the primary carrier, if primary coverage information is not available after a reasonable period of time. Current PHC procedures state that claims shall be denied when the Member does not submit the primary carrier payment information with their claim form. PHC is instructed to comply with COB regulations and cease denying claims when they are submitted without the primary carrier information. (Page 14)

ENTERED at Lacey, Washington, on January 14, 1998.

DEBORAH SENN

Insurance Commissioner

By:

WILLIAM E. FRANSEN

Deputy Commissioner